



Frequently Asked Questions about Financial Responsibility for Underground Storage Tanks



What is Financial Responsibility?

Financial Responsibility means that if you own or operate an Underground Storage Tank (UST) system, you must ensure, either through insurance or another approved method, that you have money to help pay for the costs of third-party liability and corrective action caused by a leak or a spill from your tank. Financial Responsibility helps protect you if faced with the high cost of cleanup or by lawsuits brought by personal injury and property damages.

How much and what types of coverage do I need?

Your coverage needs are dependent on whether or not you are a petroleum marketer, and how much monthly throughput you have. Also, you must have both *Per Occurrence Coverage* and *Aggregate Coverage*. Please see the chart on Page 4 of this handout to figure exactly how much coverage you need.

Coverage requirements can range from between \$1 to \$2 million.

What types of coverage options are available for me?

Private owners or operators have the following coverage options or *mechanisms* to choose from: Insurance, Self-Insurance, Risk Retention Group, Letter of Credit, Surety Bond, Fully Funded Trust Fund, Standby Trust Fund and Bond Rating System. The most common method is commercially available insurance.

(Options -continued)

Local Government owners or operators (Village, City, Borough, Municipal) can use any of the private mechanisms listed above, plus the following: Local Government Financial Test, Local Government Funds, and Local Government Guarantee.



State or Federal Government owner/operator are exempt from the Financial Responsibility requirements.

When must I provide proof of Financial Responsibility?

You must provide proof of your coverage to ADEC in the following situations:

- Within 30 days after you report a release that resulted from your UST system;
- When you register your new UST system;
- Annually, starting January 1, 1998;
- At any time when requested to do so by ADEC.

You must provide annual proof of coverage starting January 1, 1998.

You must also maintain a copy of your Financial Responsibility documents on-site or at the owner/operator's work place in case you are audited. Please note that other financial situations may require that you notify ADEC of your coverage.

How do I provide proof of Financial Responsibility?

You are required to submit a Certificate of Financial Responsibility to prove that you meet coverage requirements. The form must be filled out and signed by the owner or operator and notarized by a notary public. You may need to submit additional information if requested by ADEC.

Mail your Certification of Financial Responsibility to:

Alaska Department of Environmental Conservation
Storage Tank Program
555 Cordova Street
Anchorage, Alaska 99501

Additional Documents That You Should Have On-Site

Owner/Operator	FR Mechanism	Documents for Proof of FR
Private or Local Government	Insurance or Risk Retention Group.....	Endorsement and Certificate of Insurance or policy itself
	Self Insurance.....	Letter from Chief Financial Officer
	Guarantee.....	Guarantee Letter
	Letter of Credit.....	Letter of Credit
	Surety Bond.	Surety Bond Form
	Fully Funded Trust Fund.....	Trust Fund Agreement
Local Government	Standby Trust Fund.....	Standby Trust Fund Agreement
	Bond Rating.....	Letter from Chief Financial Officer
	Financial Test.....	Letter from Chief Financial Officer
	Guarantee.....	Guarantee Agreement

Can I use more than one type of mechanism to meet Financial Responsibility requirements?

Yes. You can use any combination of mechanisms to meet your minimum requirements. You must ensure that the total coverage of the combined mechanisms meets your coverage requirements, and that each mechanism is in force.

Who is required to get coverage, the owner or the operator?

Only one party is required to provide proof. However, both parties are liable in the event of non-compliance.

Doesn't pollution liability insurance costs too much for me to afford?

Not necessarily. In the last few years, national insurance companies have begun providing pollution liability insurance to cover the UST Financial Responsibility requirement. A number of these companies are licensed to write coverage in Alaska. Premiums for a new 10,000-gallon tank, in full compliance, can start at \$750. The exact amount will vary depending on the specifics of your facility.

Insurance policies are less expensive and more flexible than ever. Call your broker today.

What If I have contamination at my facility? Can I still get insurance coverage?

Yes. A number of policies provide coverage even at sites with existing contamination. You may be required to prove at least one of the following: that the contamination is historic; that you have upgraded your UST system to 1998 standards; or that you are working with ADEC to clean up the site.

What does "self-insurance" mean and how do I qualify?

Self-Insurance means that you or your company holds the risk of loss or damage "in house." You must have adequate funds set aside over time to pay losses or damages retained. **You must have at least \$10 million of "tangible net worth" to qualify.** Tangible net worth means that you have the funds set aside in real assets, and not in "good-will." In addition, you will be required to provide a Letter from the Chief Financial Officer, which includes completing and passing a Financial Test. A Financial Test must be filed with a third party such as the U.S. Securities and Exchange Commission (SEC) or Dun and Bradstreet (D&B).

Does the State of Alaska provide coverage through the issuance of a State Fund?

No. The State of Alaska does not provide a State Fund to owners and operators.



You can't turn back the clock!

If I change coverage within the calendar year, do I need to tell ADEC of this change?

Yes. Anytime you change coverage status, you need to notify ADEC immediately.

I own more than one facility. Do I need a separate Financial Responsibility document for each facility?

No. Your coverage is for the policyholder and not for the facility itself. This means that you can get a mechanism, such as an insurance policy, which covers tanks at all of your facilities. You will however be required to show that your policy covers all your facilities.

Where do I find out more information about insurance policies in Alaska?

ADEC suggests you contact a broker that specializes in pollution liability insurance and ask for a quote. ADEC encourages you to shop around and get different price estimates.

Who can I call with questions about Financial Responsibility

Contact Dave Allen at ADEC in Anchorage
Phone (907) 269-7537; Fax (907) 269-7648;
E-mail: Dave_Allen@dec.state.ak.us.
You can also get additional information at
our web page <http://www.state.ak.us/dec/spar/csp/tanks.htm>.

**Don't Wait. Get
your coverage now!**